NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

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analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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- NRA Presents Its Twelfth Annual Report On The Size And Scope Of The Foodservice Industry.

NRA TO PUBLISH NEW *FOODSERVICE SALES PANORAMA*

In response to frequent inquiries from members of the foodservice industry, its suppliers and investors who seek reliable information on the size, scope, economic environment and growth trends in the industry, the National Restaurant Association is publishing an updated and expanded version of *Foodservice Sales Panorama*. This new report contains foodservice industry sales, purchases and unit information for fifty-four separate industry sectors from 1970 through 1980. Data previously appearing in the first edition of *Foodservice Sales Panorama* and in *Foodservice Trends* have been revised where necessary so that all yearly figures are comparable and can be used as a time series.

This new publication also contains a wealth of historical information on many economic variables of particular interest to those in the foodservice industry. This information, presented in table form, draws together frequently requested data. Included are data on:

- NRA's Food Cost Index, 1970-1980
- All Foods, Producer Price Index, 1970-1980
- Consumer Price Index, 1970-1980
  - —All Items
  - —Food at Home (Grocery Stores)
  - —Food away from Home (Restaurants)
  - —All items less Food
- Retail Sales, 1970-1980
  - —Total Sales
  - —Eating and Drinking Place Sales
  - —Eating Place Sales
  - —Food Store Sales
- CREST Information, September '76-August '80
  - —Restaurant Traffic
  - —Restaurant Sales
  - —Per Person Check Size
- Employment and Earnings for Eating and Drinking Places, 1970-1980
- Retail Census Figures for Eating Places, 1972-1977
  - —Fifty states plus the District of Columbia
  - —Nine Regions
- Major Economic Indicators, 1970-1980; Current and Constant Dollars
  - —Gross National Product
  - —Personal Consumption Expenditures
  - —Personal Income
  - —Disposable Personal Income
  - —Savings Rate
  - —Unemployment Rate

Many of the tables will include monthly as well as yearly data and will also feature year-to-year percent changes and average annual growth rates during the 1970 to 1980 period.

The National Restaurant Association's new *Foodservice Sales Panorama* will be available for sale in late May. Interested persons wishing to order this publication should contact NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll-free, 800-424-5156. Members should specify order number CS-020 and non-members should specify order number CS-021 when ordering *Foodservice Sales Panorama*.

THE FOODSERVICE INDUSTRY: 1979

Highlights

- **The foodservice industry was adversely affected by the gasoline crisis and inflationary pressures in 1979. The industry suffered a significant decline in traffic counts, with the normally peak summer months experiencing the worst declines.**
- **Consumers were faced with double digit inflation caused by higher energy and housing costs. As a result, they found they had less disposable income**

to spend on such discretionary items as eating out.

- Although nominal industry sales rose 10.1 percent in 1979, real sales (sales adjusted for inflation) declined by 0.5 percent. This was the first time real sales experienced a decline in the decade of the Seventies.
- Menu prices advanced at a slightly faster pace than grocery store food prices in 1979, 11.2 percent versus 10.8 percent.
- The proportion of the food dollar spent on meals outside the home declined from 38 percent in 1978 to 37 percent in 1979. Consumers, who were eating out less frequently, allocated a smaller proportion of their food dollars to dining out.
- Commercial foodservice sales reached $88.7 billion in 1979, an increase of 10.1 percent over 1978's total of $80.6 billion. Real sales, however, were down by 0.7 percent.
- In 1979, eating place sales advanced 10.2 percent over 1978 and totaled $62.3 billion, but real eating place sales were off by 0.7 percent.
- Limited menu (fast food) restaurants continued to be a prime sales gainer. Sales in current dollars were up 12.2 percent and real sales rose 1.1 percent in 1979.
- Some segments of the foodservice industry benefited from the disruption of gasoline supplies and resulting higher gasoline prices. These include intransit (airline) feeding as well as other transportation feeding and commercial and office building feeding.
- Institutional sales rose to $15.9 billion in 1979, an increase of 11.2 percent over 1978. In addition, real sales for this group were up 1.7 percent compared to an overall industry decline of 0.5 percent.
- Military Feeding sales declined from $624 million in 1978 to $555 million in 1979, primarily due to the fact that fewer meals and snacks were being purchased at officer and NCO clubs and at post exchanges.

The National Restaurant Association presents its twelfth annual report on the size, scope and growth of the foodservice industry. The main purposes of this annual study are to continue to define the extent of the foodservice industry and to construct a statistical framework for analysis of the relative importance and growth rates of the different market segments. Readers will also note that this year we are publishing a revised and expanded version of our *Foodservice Sales Panorama* which is described in the box on page one.

In the following sections of this report we will review the economic forces present in 1979 as well as various other factors which affected industry sales. We have included an analysis of the 1979 sales data as well as a comparison with 1978 sales performance. The statistical information and analysis presented here were prepared in consultation with the research firm, Malcolm M. Knapp, Inc.

Real Sales Declined in 1979

In 1979 the economy suffered from high inflation caused primarily by increased prices for energy-related items and housing. Overall consumer prices were up 11.3 percent, according to the Consumer Price Index. In addition, much of the country experienced a gasoline shortage beginning in May, and the entire nation felt the effects of rapid increases in world crude oil prices. The main impact of this "gas crisis" was felt from May through September, the peak eating out season for the restaurant industry.

As a result, real sales (sales adjusted for inflation) for the foodservice industry declined 0.5 percent with real sales in the commercial sector off 0.7 percent and military sales down 22 percent. These real sales losses were only partially offset by the 1.7 percent inflation-adjusted gain for the institutional segment. Foodservice experienced this significant decline while the major economic indicators enjoyed positive real growth in 1979. (See accompanying chart.)

Percent Change In Economic Indicators and Foodservice Industry Sales, 1978-79

*Eating Places include Restaurants, Lunchrooms, Social Caterers, Commercial Cafeterias, Limited Menu Restaurants and Ice Cream and Frozen Custard Stands.

SOURCES: Survey of Current Business, December 1980, Malcolm M. Knapp, Inc.

A look at eating places, an important indicator of the overall health of the industry, shows that they were hard hit by the economic ills of 1979. Eating places account for approximately sixty percent of the industry's sales and include restaurants with table service,

limited menu (fast food) restaurants, commercial cafeterias and social caterers. In 1979 sales for eating places in real terms (sales adjusted for inflation) declined by 0.7 percent, representing the first such real sales decrease during the decade of the Seventies. In comparison, real sales for eating places rose 2.2 percent in 1978 and 4.3 percent in 1977.

Real Gross National Product in 1979 was up 3.2 percent, while foodservice experienced its decline. In addition, as shown in the chart on the preceding page, real growth for other economic indicators such as nondurable goods expenditures and disposable personal income also outperformed that for eating places.

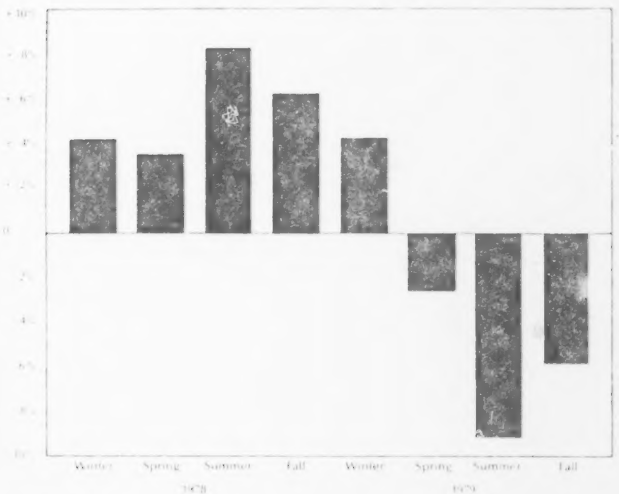
In 1979 the foodservice industry became aware of just how susceptible it is to inflationary pressures, especially when coupled with a gasoline shortage. Real sales declined and customer traffic, according to CREST, was down for the first time. As shown in the accompanying chart customer counts at restaurants first began their downward trend in the Spring and continued through the Summer and the Fall. This down trend was caused by several factors. Inflation, as measured by the Consumer Price Index, began rising at a double digit pace in March of 1979, putting a squeeze on consumer disposable income. In addition, in May many parts of the country experienced a shortfall of gasoline supplies, causing consumers to wait for an hour or longer for gas. Many gas stations shortened their hours and some even closed on the weekends. The OPEC nations doubled the price of their crude oil and overall retail prices of gasoline rose 35 percent in 1979. As a result of these factors, many persons who normally planned a family summer vacation by car simply canceled their plans and stayed home, which had a negative impact on most segments of the foodservice industry.

We have estimated that about 1.1 to 1.6 percentage points of sales growth for eating places was lost because of the gasoline situation, which affected nearly all the country. This means that the eating place segment would have experienced positive real growth in the range of 0.3 to 0.8 percent if we had not been subjected to the 1979 gasoline crisis.

Inflation was also a major negative factor for the foodservice industry in 1979. In March consumers first began experiencing double digit inflation. Rising costs for food, gasoline, electricity, natural gas and housing caused many persons to cut back substantially on expenditures for discretionary items, including eating out. The first drop in customer traffic at the nation's restaurants was apparently due to the pinch consumers felt from higher prices for many necessities in the early Spring. This was then exacerbated by the gasoline crisis experienced in the Summer. It was not until October that consumers began to pick up on their restaurant visit behavior, but in spite of this, traffic was still off from the same period in 1978.

Percent Change in Quarterly Customer Traffic

(Winter '78—Fall '79)



SOURCE: CREST

Menu Prices Rose Faster Than Grocery Prices in 1979

Restaurant menu prices rose at a slightly faster pace than grocery store food prices in 1979, 11.2 percent versus 10.8 percent, according to the Consumer Price Index. In comparison, food away from home prices advanced more slowly than food at home prices in 1978 (9.1 percent versus 10.6 percent). Higher prices for many commodities caused wholesale food prices for restaurants to rise 12.2 percent in 1979, considerably higher than the advance for overall wholesale food

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We hope restoration of this service will make calling our office easier and more convenient. If you have not taken advantage of our Information Resource Center, Research and Economics Department and the Legal Department, we hope you will do so by using our toll-free number.

prices of 9.5 percent. As shown in the accompanying table, the increase in beef and veal prices together with rises in prices for fish and shellfish, eggs, dairy products and flour and cereal were primarily responsible for rising food costs for restaurants.

Wholesale Food Costs: 1979

Commodity	Percent Change 1977-1978	1978-1979
Bakery Products	7.8%	10.0%
Flour and Cereal	13.5%	12.4%
Beef and Veal	28.4%	24.7%
Other Meats	16.7%	(2.8%)
Poultry and Eggs	8.1%	0.7%
Fish and Shellfish	6.4%	22.6%
Sugar and Sweets	6.6%	6.9%
Vegetables	6.0%	2.0%
Fruits and Juices	17.6%	8.7%
Beverages	(8.6%)	0.8%
Dairy Products	8.6%	12.1%
Fats and Oils	6.1%	6.4%
NRA, Food Cost Index	11.2%	12.2%
All Food, Producer Price Index	10.5%	9.5%

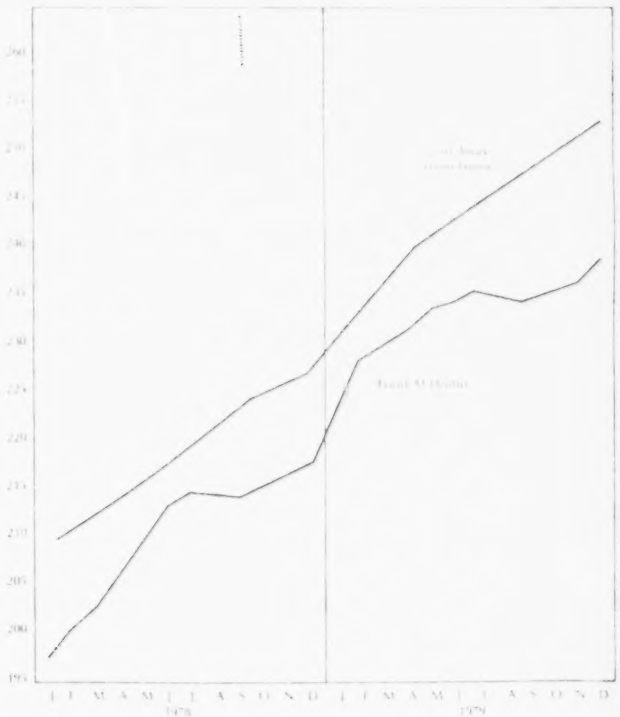
SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association.

The comparison of real sales growth shows a similar story, with eating places registering a 0.7 percent decline, the industry as a whole down 0.5 percent and grocery store sales up 1.6 percent. This marks the first time in three years that consumers have not increased their real purchases from foodservice operations at a faster rate than from grocery stores.

The proportion of the food dollar spent away from home declined in 1979, interrupting the steady upward trend experienced in the Seventies. In 1979, consumers allocated about 37 percent of the food dollar to meals prepared outside the home, compared to 38 percent in 1978 and 37.5 percent in 1977.

We believe that part of the reason for this decline in the proportion of the food dollar spent on food away from home was due to the major revisions made by the Bureau of the Census in its 1977 "Merchandise Line" report. In addition, we have not included deli sales at grocery stores or vending machine soft drink and snack sales as part of our away from home market, and sales for these two segments totaled $6 billion in 1979. If we had included these sales in our estimates, the proportion of the consumer food dollar spent on meals and snacks outside the home in 1979 would have been larger.

Food Away From Home Versus Food At Home, 1978-1979



SOURCE: *Consumer Price Index*, Bureau of Labor Statistics.

Commercial Feeding Sales Reach $88.7 Billion

Sales for Commercial Feeding establishments in 1979 totaled $88.7 billion and accounted for 84.3 percent of foodservice industry sales. Food and drink sales for this group were up 10.1 percent in 1979, slightly lower than the increase of 10.8 percent in the prior year. Real sales growth declined by 0.7 percent, however, compared to a gain of 1.5 percent in 1978 and larger increases of 3.0 percent in 1977 and 4.8 percent in 1976.

As shown in the table on pages 8 and 9, particularly outstanding sales gains in 1979 were recorded by in-transit (airline) feeding (20.2 percent), grocery stores (17.9 percent) gasoline service stations (15.1 percent) and contractors in commercial office buildings (13.5 percent). We believe sales growth for these sectors reflect their ability to take advantage of the gasoline crisis either by offering lower prices or convenient, one-stop shopping. In the following paragraphs we have briefly analyzed each segment of the Commercial Feeding Group.

Eating and Drinking Places. This, the largest of the Commercial Feeding Group, consists of restaurants,

lunchrooms, limited menu (fast food) restaurants, commercial cafeterias, social caterers, ice cream and frozen custard stands and bars and taverns. Only those establishments with payroll are included in our figures. Sales for non-payroll eating and drinking places totaled $2.2 billion in 1979.

Food and drink sales for eating and drinking places were $69.5 billion in 1979, an increase of 9.9 percent from 1978. Since 1975 there has been a slowdown in the rate of sales growth for this sector of the industry, partially accountable to a slowdown in unit expansion and slower sales growth for some segments such as restaurants and lunchrooms and commercial cafeterias. In 1978, eating and drinking place sales rose 10.6 percent, while in 1977, 1976 and 1975 they advanced 11.1 percent, 13.7 percent and 13.3 percent, respectively.

Sales for eating places alone increased by 10.2 percent in 1979, rising from $56.5 billion in 1978 to $62.3 billion in 1979. This represents a slower rate of growth than that experienced in the previous four years of 11.4 percent (1978), 12.3 percent (1977), 14.9 percent (1976) and 14.8 percent (1975). Real sales growth for eating places declined by 0.7 percent, the first such decline registered during the Seventies. In comparison, real sales rose 2.2 percent in 1978 and 4.3 percent in 1977.

Limited menu restaurants, which include most fast food establishments, continue to be a prime sales gainer among eating and drinking places, although the rate of growth has slowed. In 1979 the growth rate was 12.2 percent, considerably below the gains of 15.1 percent in 1978, 17.6 percent in 1977 and 19.7 percent in 1976. The importance of this segment continues to grow, however, with limited menu establishments now accounting for 40 percent of eating place sales and 23.7 percent of all foodservice sales. Limited menu restaurants were the only eating place sector to register positive real sales growth in 1979, with real sales up 1.1 percent compared to a 0.7 percent decline for all eating places. (See accompanying table.)

Sales Growth for Eating Places, 1979 vs. 1978

	Percent Change	
	Current Dollars	Real Dollars
Restaurants, Lunchrooms	9.1%	−1.7%
Limited Menu Restaurants	12.2%	+1.1%
Commercial Cafeterias	6.9%	−4.3%
Social Caterers	3.9%	−7.1%
Ice Cream, Frozen Custard Stands	11.0%	−0.2%
All Eating Places	10.2%	−0.7%

Source: Malcolm M. Knapp, Inc.

Menu expansion by fast food firms continued in 1979, primarily as a means to offer the public some lower priced menu items. Many of these firms are highly dependent on beef and fish, both of which experienced rapid increases in prices in 1979. According to CREST data, menu prices for these establishments were rising at a 15 percent rate for much of 1979, and traffic declined as a result of this. By offering some new and lower price items these firms were better able to attract new business.

Fast food restaurants also increased their usage of promotions in an attempt to build traffic and increase sales. This was especially true after the disastrous Summer Quarter (June, July, August) of 1979. The CREST Fall Quarter data indicate that nearly 10 percent of the occasions at fast food restaurants involved a promotion versus about 8.5 percent for the same period in 1978.

Among the other eating place categories, *ice cream and frozen custard stand* sales reached $1.2 billion in 1979, an increase of 11.0 percent over 1979. *Restaurants and lunchrooms* experienced only a 9.1 percent gain in sales, although they remain the number one eating place category in terms of sales. *Commercial cafeterias* and *social caterers* registered very small sales gains in 1979 of 6.9 percent and 3.9 percent, respectively.

Increased competition as well as rising food and labor costs have spurred restaurant operators to find new ways to expand sales and increase customer counts. The primary means of doing this have been increasing menu offerings, upgrading decor, new promotional offerings and increased advertising. Pricing practices have also allowed operators to maintain high sales volume, as many restaurateurs try to establish an atmosphere in which a patron can choose comfortably among a wide range of menu offerings. An increasing concern about service is also emerging within the foodservice industry. The restaurateur is attempting to offer a better dining experience and adapt to the mood of today's consumer.

NRA FOODSERVICE TRENDS

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In 1979, consumers faced with dwindling disposable income, were forced to decrease their frequency of eating out, and in many cases, were forced to forego eating out all together. In addition, the higher cost of eating out forced consumers to trade down, to order smaller portion sizes or to eliminate some foods such as dessert. For the restaurant industry this was the first experience with such factors, and it has shown that operators and firms that are better managed and have more sophisticated marketing techniques are the most likely to survive.

Bars and Taverns. Food and beverage sales at bars and taverns increased 7.2 percent in 1979 and totaled $7.2 billion. Readers are reminded that these figures are for all bars and taverns, some of which do not offer any foodservice.

Food Contractors. Food and drink sales for food contractors reached $6.2 billion in 1979, an increase of 12.5 percent over 1978's $5.5 billion. *Manufacturing and industrial plant* sales were up 12.4 percent, primarily due to 1979's strong employment picture. Blue collar employment increased 1.7 percent and manufacturing employment rose 2.4 percent. Contract feeders in *commercial and office buildings* showed particularly strong sales gains of 13.5 percent. White collar employment advanced 4.5 percent in 1979. We believe that the strong showing of these contract feeders was due primarily to the gasoline crisis. Workers in office buildings and industrial plants chose to remain there for lunch rather than traveling to a restaurant farther away. In addition, the relatively low cost of such meals may also have made this option more economical.

Of all food contractors, those serving the airline industry had the largest percentage increase in sales. *In-transit (airline) feeding* sales were up 20.2 percent in 1979. Decreased airfares made it more economical for many families to fly to their destination rather than drive. As a result, the number of domestic and international passengers carried on the nation's airlines increased 15.3 percent in 1979 over 1978.

Recreation and sport center contractors reported a 12.1 percent advance in food and drink sales, approximating 1978's gain of 12.3 percent. Overall attendance at various spectator sports was up only 1.2 percent and attendance at amusement parks was down during the summer because of the gasoline crisis. However, baseball attendance showed a substantial increase, probably because spectators come from nearby areas.

Contractor sales at *hospital and nursing homes* were up 10.8 percent, slightly above 1978's rise of 10.1 percent. A small rise in the number of patients together with increases in the number of employees contributed to the better performance for these contractors.

Sales by food contractors in *primary and secondary schools* advanced 9.5 percent in 1979, due to an increase in the number of meals served as well as higher food costs. Enrollment in public schools declined by 2.4 percent, and in private schools the decrease was only 0.4 percent.

Food contractor sales in *colleges and universities* were up 12.1 percent, considerably higher than the 8.9 percent gain in 1978. Overall enrollment at both public and private colleges and universities increased 2.3 percent on a full-time equivalent basis.

Hotel and Motel Restaurants. Hotel restaurants' sales increased only 8.9 percent in 1979, substantially below the sales gain of 12.6 percent in 1978. Gasoline prices had some impact on hotel sales in that many families canceled their summer vacation. Business and convention travelers as well as international travelers helped to offset the loss to hotels. International visitors accounted for 16.1 percent of all hotel guests in 1979. Hotel occupancy remained unchanged from 1978 at slightly more than 72 percent. We believe that the high room rates may have led many consumers to eat at less expensive restaurants outside their hotels.

Food and drink sales at *motor hotel* restaurants increased 8.9 percent in 1979, versus 13.0 percent rise in 1978. *Motel* restaurant sales advanced 8.8 percent compared to a larger 11.7 percent gain in 1978. Higher gasoline prices together with consumers' fears about gasoline availability resulted in fewer households embarking on long distance vacation trips in the summer of 1979.

Retail Hosts. Retail hosts are establishments not primarily engaged in foodservice which incorporate a restaurant, cafeteria, snack bar, etc. within their location. Food and drink sales for this group advanced to $3.1 billion in 1979, an increase of 10.3 percent over 1978. Within this category, *grocery stores*, with a sales increase of 17.9 percent, continue to be the leader in

Alcoholic Beverage Sales in Eating and Drinking Places, 1979

	Sales ($000)	Percent
Restaurant, Lunchrooms	$ 4,725,881	40.4
Refreshment places	655,823	5.6
Social Caterers	59,919	0.5
Cafeterias	46,634	0.4
Bars and Taverns	6,199,754	53.1
	$11,688,011	100.0

Note: Only those establishments with payroll are included. Hotel, motel and motor hotel restaurants had combined alcoholic beverage sales of $1,606,994,000. Alcoholic beverage sales in other establishments totaled approximately $901 million in 1979.

foodservice sales growth. This is due primarily to the growth of convenience stores and their increased participation in the foodservice industry. Food and drink sales at *gasoline service* stations rose 15.1 percent in 1979. A closer analysis of this category shows that some gasoline stations also sell groceries and take on many of the same characteristics as convenience stores. Sales at *food stores excluding grocery* stores were up 13.5 percent. We believe that convenience together with the desire for one-stop shopping as a means to conserve gasoline helped boost foodservice sales at these three retail host segments.

On the other hand, food and drink sales at *drug stores, general merchandise stores, department stores, variety stores and miscellaneous retailers* rose at a slower pace than overall restaurant sales at all retail host establishments. The gasoline crisis changed how consumers shop. The public had a special purpose in mind when they ventured out to shop—they did not "browse" and were far less susceptible to impulse buying. As a result, they did not stay in the stores to eat.

Other Commercial Feeding. Mobile catering foodservice sales increased 12.6 percent in 1979, primarily due to increased construction employment (up 8.7 percent) and a rise in employment at manufacturing and industrial plants. Increased attendance at several major spectator sports helped boost food and drink sales at *recreation and sports centers* 11.0 percent in 1979. Foodservice sales at *bowling lanes* was up 11.5 percent, due to many persons looking for closer to home entertainment. *Vending* sales rose 10.3 percent in 1979, primarily due to increased prices.

Institutional Feeding Sales Reach $15.9 Billion

Sales for the Institutional Feeding Group rose from $14.3 billion in 1978 to $15.9 billion in 1979, for an increase of 11.2 percent. Institutional feeders account for 15.2 percent of the food and beverage sales in the foodservice industry. Real sales growth for this group rose 1.7 percent in 1979, compared to a 0.7 percent decline for the Commercial Feeding Group and a 0.5 percent decline for the industry as a whole. A slight increase in the populations served by institutions together with

(Continued on page 10)

NRA FOODSERVICE INDUSTRY—TERMS OF REFERENCE

There are many ways to define the components of the foodservice industry. We have chosen a way that seems reasonable to us, but we recognize that this is a very complex industry and that there are several communities of industry participants. NRA's approach breaks the elements of the foodservice industry into many fine segments so that any industry participant can recombine them into different major groups or subgroups to suit his particular needs. Groupings are to some extent arbitrary, and the categories rarely have neat, sharp boundaries. We define the Foodservice Industry as encompassing all meals and snacks prepared outside the home, and therefore include all take out meals and beverages in this definition.

The major foodservice groupings used by the NRA in its analysis of the industry are as follows:

COMMERCIAL FEEDING (GROUP I): This group comprises those establishments which are open to the public, are operated for profit and which may operate facilities and/or supply meal service on a regular basis for others. Commercial feeding accounts for nearly 85 percent of the sales, and includes eating and drinking places, foodservice contractors, hotel and motel restaurants and restaurants in department stores, drug stores, etc.

EATING PLACES: Dollar sales for eating places are for those with payroll only. Thus our figures may be slightly lower than estimates which include all establishments. Our dollar volume estimates for eating places refer to restaurants and lunchrooms, commercial cafeterias, limited menu restaurants, ice cream and frozen custard stands and social caterers. They do not include contract feeders, which are shown separately, although the Bureau of the Census data include contract feeders in their eating place category.

INSTITUTIONAL FEEDING (GROUP II): This group comprises the business, educational, government and institutional organizations which operate their own foodservice. Food is provided as an auxiliary service to complement their other activities. While some establishments operate at a profit, this is not the aim of the foodservice activity. Rather, they serve food principally as a convenience for their own employees, students, patients, etc.

MILITARY FEEDING (GROUP III): This group comprises the sales of food and beverages at officers' and NCO clubs and military exchanges, as well as defense foodservice to the troops. This group has been shown separately because most suppliers treat it as a distinct entity for sales purposes.

THE FOODSERVICE INDUSTRY
ESTIMATED FOOD AND DRINK SALES AND PURCHASES, 1979

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000) 1978	1979	Percent Gain (Loss)	Estimated Food and Drink Purchases (000) 1979	Source
GROUP I: COMMERCIAL FEEDING[1]						
	EATING PLACES					
120,806[2]	Restaurants, Lunchrooms	$30,610,455	$33,398,455	9.1	$12,745,018	1, 21, 22, 23
100,564	Limited Menu Restaurants	22,218,860	24,936,227	12.2	9,043,325	1, 21, 22, 23
6,906	Commercial Cafeterias	1,911,801	2,045,336	6.9[3]	775,829	1, 22, 23
3,449	Social Caterers	720,999	748,981	3.9	295,248	1, 22
8,676	Ice Cream, Frozen Custard Stands	1,071,865	1,189,556	11.0	380,658	1, 21, 22
240,401	TOTAL EATING PLACES	$56,535,980	$62,318,555	10.2	$23,240,078	
38,879[4]	Bars and Taverns	$ 6,696,188	7,178,715	7.2	450,322[5]	1, 22
279,280	TOTAL EATING AND DRINKING PLACES	$63,232,168	$69,497,270[6]	9.9	$23,690,400	
7,836[7]	FOOD CONTRACTORS					
	Manufacturing and Indus. Plants	$ 1,794,624	2,016,019	12.4	939,744	1, 19, 27
	Commercial and Office Bldgs.	476,770	541,134	13.5	252,168	1, 27
	Hospitals and Nursing Homes	678,151	751,334	10.8	300,534	13
	Colleges and Universities	895,969	1,004,381	12.1	355,541	2, 4
	Primary and Secondary Schools	526,749	576,790	9.5	282,627	3
	In-Transit Feeding (Airlines)	395,872	476,067	20.2	$ 228,507[8]	9
	Recreation and Sports Centers	780,883	875,370	12.1	323,887	1, 23, 24, 29
7,836[7]	TOTAL FOOD CONTRACTORS	$ 5,549,018	$ 6,241,695	12.5	$ 2,683,008	
	LODGING PLACES					
13,595	Hotel Restaurants	$ 3,016,585	$ 3,285,061	8.9	$ 1,148,856	1, 23, 25, 26
2,589	Motor Hotel Restaurants	742,397	808,470	8.9	282,544	1, 23, 25, 26
13,651	Motel Restaurants	1,653,060	1,798,529	8.8	645,079	1, 26
29,835	TOTAL LODGING PLACES	$ 5,412,042	$ 5,892,060	8.9	$ 2,076,479	
	RETAIL HOSTS					
8,619	Drug and Prop. Store Restaurants	$ 338,044	$ 355,481	2.2	$ 131,283	1
1,644	Gen. Merchandise Store Restaurants	46,425	50,232	8.2	19,088	1
5,202	Department Store Restaurants	916,881	986,564	7.6	394,626	1, 30
5,111	Variety Store Restaurants	383,245	419,270	9.4	163,515	1
3,967	Food Stores Ex. Grocery	134,137	152,245	13.5	51,763	1
22,500	Grocery Stores Restaurants	537,101	633,242	17.9	234,300	1
8,232	Gasoline Service Stations	311,598	358,649	15.1	132,700	1
3,608	Misc. Retailers (Liquor, Cigar, Etc.)[9]	119,827	129,772	8.3	47,367	1
58,883	TOTAL RETAIL HOSTS	$ 2,787,258	$ 3,075,455	10.3	$ 1,174,642	
	RECREATION AND SPORTS					
2,882	Drive-In Movies	$ 146,875	$ 161,871	10.2	$ 53,417	1
3,933	Bowling Lanes	410,843	458,049	11.5	174,059	1
n/a	Recreation and Sports Centers	569,649	632,310	11.0	233,955	1, 24, 29
6,815	TOTAL RECREATION AND SPORTS	$ 1,127,367	$ 1,252,230	11.1	$ 461,431	
	ALL OTHER					
3,267	Vending and Non-store Retailers[9]	$ 2,127,414	$ 2,347,474	10.3	798,141	1, 19
n/a	Mobile Caterers	385,755	434,360	12.6	152,026	1, 2
3,267	TOTAL ALL OTHER	$ 2,513,169	$ 2,781,834	10.7	$ 950,167	
385,916	**TOTAL GROUP I**	**$80,621,022**	**$88,740,544**	**10.1**	**$31,036,127**	
GROUP II: INSTITUTIONAL FEEDING-BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOOD SERVICE						
	EMPLOYEE FEEDING					
4,000	Industrial and Commercial Organizations	$ 1,166,662	$ 1,301,995	11.6	$ 636,715	20, 27
552	Sea-going Ships (1,000 + tons)	47,957	52,003	8.4	33,202	6
4,248	Inland Waterway Vessels	158,850	181,296	14.1	108,778	7
8,800	TOTAL EMPLOYEE FEEDING	$ 1,373,469	$ 1,535,294	11.8	$ 776,695	
	EDUCATIONAL FEEDING					
95,738	Public and Parochial Elementary and Secondary Schools (94,535 National School Lunch Program)[10]	$ 1,938,524	$ 2,136,253	10.2	$ 2,906,886	3
995	Public Colleges and Universities[11]	1,310,242	1,440,101	9.9	705,808	3
1,470	Private Colleges and Universities[11]	541,815	599,247	10.6	342,434	2, 4
98,203	TOTAL EDUCATIONAL FEEDING	$ 3,790,581	$ 4,175,601	10.2	$ 3,955,128	

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000) 1978	Estimated Food and Drink Sales (000) 1979	Percent Gain (Loss)	Estimated Food and Drink Purchases (000) 1979	Source
	TRANSPORTATION					
74	Passenger/Cargo Liners	$ 88,832	$ 103,634	16.6	$ 56,988	8
46	Airlines	366,976	441,334	20.3	219,837	9
2	Railroads	25,109	31,631	26.0	21,768	10
122	TOTAL TRANSPORTATION	$ 480,917	$ 576,579	19.9	$ 298,593	
	HOSPITAL FEEDING					
4,077	Voluntary and Proprietary Hospitals	$ 3,838,090	$ 4,290,555	11.8	$ 1,716,222	13
1,846	State and Local Short-term Hospitals[12]	583,546	656,099	12.4	459,806	13
704	Long-term General, TB, Nervous and Mental Hospitals	752,040	820,153	9.0	328,061	13
361	Federal Hospitals[12]	262,944	288,657	9.8	236,321	13
6,988	TOTAL HOSPITAL FEEDING	$ 5,436,620	$ 6,055,464	11.4	$ 2,740,410	
25,130	Nursing Homes, Homes for Aged, Blind, Orphans, Mentally and Physically Handicapped[13]	$ 1,990,080	$ 2,205,805	10.8	$ 1,394,642	14
	MISCELLANEOUS					
10,310	Clubs	$ 860,301	$ 941,944	9.5	$ 453,399	5
2,249	Sporting and Recreational Camps	99,824	107,231	7.4	64,350	1, 11
16,010	Community Centers	286,364	318,723	11.3	376,087	12
n/a	Convents and Seminaries	***	***	***	117,072	17
28,569	TOTAL MISCELLANEOUS	$ 1,246,489	$ 1,367,898	9.7	$ 1,011,008	
	PENAL INSTITUTIONS					
620	Federal and State Prisons	***	***	***	$ 230,155	15
3,493	Jails	***	***	***	181,877	16
4,113	TOTAL PENAL INSTITUTIONS	***			$ 412,032	
171,925	**TOTAL GROUP II**	**$14,318,156**	**$ 15,916,641**	**11.2**	**$10,588,508**	
557,841	**TOTAL GROUPS I AND II**	**$94,939,178**	**$104,657,185**	**10.2**	**$41,624,635**	
	Food Furnished Food Service Employees in Groups I and II	***			$ 2,995,196	18
	TOTAL GROUPS I AND II AND FSE	**$94,939,178**	**$104,657,185**	**10.2**	**$44,619,831**	
GROUP III: MILITARY FEEDING						
	Defense Personnel	$ ***			$ 1,537,259	18
717	Officers and NCO Clubs ("Open Mess")	403,414	$ 359,555	(10.9)	135,552	28
558	Food Service-Military Exchange	221,000	195,321	(11.6)	85,941	28
1,275	**TOTAL GROUP III**	**$ 624,414**	**$ 554,876**	**(11.1)**	**$ 1,758,752**	
559,116	**GRAND TOTAL**	**$95,563,592**	**$105,212,061**	**10.1**	**$46,378,583**	

FOOTNOTES

1. Data are given only for establishments with payroll.
2. Figures are latest Census Area Reports or Merchandise Line detail counts or updates when reliable data become available.
3. Unit count includes only those establishments serving food; however, sales figure is for all bars and taverns with payroll.
4. Food only. Cost of alcoholic beverages totaled $2,169,914.
5. Food and drink sales for nonpayroll establishments totaled $2,171,295 with eating places acounting for $1,345,762 and drinking places $825,533.
6. Individual businesses, not locations. Contract feeders are included in eating place totals in all Bureau of the Census publications although their sales volume figures for contract feeders are significantly understated.
7. Food purchase only.
8. Includes SIC 59, except 591 and 596.
9. Includes sales of hot foods, sandwiches, pastries, coffee and other hot beverages.
10. School lunch program commodities furnished in the calendar year 1979 under Secs. 6, 32, 416, are worth $725,808,000. In addition, 1,863,959,000 half pints of milk worth $145,985,000 were supplied to 85,775 outlets.
11. Total number of colleges and universities which have food-service whether contracted or not.
12. Represents sales or commercial equivalent to employees.
13. Sales (commercial equivalent) calculated for Nursing Homes and Homes for Aged only. All others in the grouping make no charge for food served either in cash or in kind.
14. Continental U.S. only.

***These institutions make no charge for food served either in cash or kind.

substantial gains in institutional employment and higher food costs helped to boost foodservice sales for this sector.

The accompanying table on pages 8 and 9 and the following narrative will highlight sales gains made by the various segments of the Institutional Feeding Group.

Employee Feeding. As has been previously mentioned, employment of both blue and white collar workers increased significantly in 1979, and these gains were primarily responsible for the 11.6 percent sales growth for foodservice in *industrial and commercial organizations.* Food and drink sales for *sea-going ships* were up a modest 8.4 percent because of fewer employees in the merchant marine. Foodservice sales on *inland waterway vessels* rose an impressive 14.1 percent in 1979. The high cost of gasoline caused many manufacturers to ship their goods via water because this was a cheaper mode of transportation.

Schools. Foodservice sales at *public and parochial primary and secondary schools* increased 10.2 percent in 1979, considerably above the gain of 8.1 percent in 1978. This increase was the result of higher food prices as well as a slight rise of 0.5 percent in the number of school lunches served and the 10.5 percent increase in the number of breakfasts served. (We consider a sale to be the actual cash payment made by a student. The difference between what a student pays and the cost of the meal is borne by state, local and federal governments.)

Food and drink sales at *public colleges* advanced 9.9 percent, compared to a much smaller gain of 7.9 percent in 1978. Most of this sales increase was due to higher food costs as well as the 2.3 percent increase in public college enrollment on a full-time equivalent basis. *Private college and university* foodservice sales were up 10.6 percent in 1979, also due to rising enrollment and higher food prices.

Transportation. The gas crisis of 1979 was very beneficial for transportation foodservice. Fares were low and consumers did not have to worry about the price or availability of gasoline. *Passenger and cargo liner* foodservice sales increased an impressive 16.6 percent in 1979, considerably above the 12.4 percent gain in 1978. Food and drink sales on the nation's *airlines* advanced 20.3 percent, outpacing their rise of 16.1 percent in 1978. Sales growth on *railroads*, however, was the big gainer. Foodservice sales for railroads increased 26.0 percent in 1979, a substantially better showing than the 5.0 percent loss experienced in 1978.

Hospitals. The slight increase in the number of patients in *hospitals and nursing homes* together with a more significant gain in the number of employees, particularly administrative employees, helped boost hospital food and drink sales. In addition, the rise in wholesale food prices also caused sales to advance. Sales at *state and local short term hospitals* were up 12.4 percent in 1979, while at *voluntary and proprietary hospitals* foodservice sales increased 11.8 percent. Food and drink sales at nursing homes rose 10.8 percent in 1979, compared to a higher 11.3 percent gain in 1978.

Other Institutions. *Sports and recreational camps* were hurt by the gas crisis as well as the economy. As a result, foodservice sales at these establishments were up only 7.4 percent in 1979. Sales at *community centers* were running strong because of increased participation in breakfast programs. These establishments experienced an 11.3 percent sales gain in 1979.

Military Feeding Sales Decline

Military Feeding makes up the third group of our industry, and in 1979 sales totaled $555 million, down 11.1 percent from 1978's $624 million. Readers should note that sales figures for commercial transactions at military bases do not include defense foodservice for the troops. The decline in sales between 1978 and 1979 was due to a slight decrease in military population as well as the fact that patronage at clubs and post exchange foodservice establishments was down. Military personnel probably also felt the squeeze on disposable income as did the civilian population and cutback on discretionary spending. The trend now is for increased troop strength, and we would expect military foodservice sales to rise in future years.

Notes Concerning NRA's 1979 Sales Figures

Sales data for many of the commercial segments of the foodservice industry are based on the *1977 Census of Retail Trade.* Exceptions to this are sales for hotels, motels, camps and clubs for which the *1977 Census of Selected Services* was used. In addition, we have used the "Merchandise Line" and "Miscellaneous Subjects" reports from the *1977 Census of Retail Trade* to provide us with the proportion of meal and snack sales to total sales for eating and drinking places, retail hosts and other non-store retailers.

We define a restaurant or lunchroom as an establishment which has waiter or waitress service while the patron is seated. A refreshment place or limited menu restaurant, on the other hand, is an establishment that does not provide waiter or waitress service. For other definitions of the major segments of the foodservice

industry readers can refer to the box on page 7.

Readers may note that our 1979 eating place sales figures are lower than those published by the Census Bureau in its "Current Retail Trade Reports" series. (Census revised its 1979 sales figures in April of 1980 *and* in April of 1981.) The Census data include contract feeders, while we put all contract feeding into a separate Commercial Feeding segment. In addition, we do not believe that these latest revisions reflect the true state of the industry in 1979. The newly revised (April, 1981) Census figures show eating place sales in 1979 up 12.7 percent over 1978; restaurant, lunchroom and cafeteria sales up 13.6 percent and refreshment places (fast food) sales up 11.3 percent. All of these increases are substantially higher than those reported in the April, 1980 revisions, and they indicate that the industry experienced positive real sales gains in 1979. We know from other documented sources that the industry suffered customer traffic and real sales losses in 1979 due to the economy and the gas crisis. This contradicts the fact that the industry experienced positive real sales growth as shown by the Census figures. These government data also indicate that the rate of sales growth for refreshment places (fast food restaurants) was below that for restaurants) was below that for restaurants and lunchrooms. We believe that the rate of growth for the refreshment place segment of the industry has been and still is greater than the restaurant component because of continued unit expansion by fast food firms and rate of sales growth for the major chains in 1979.

Other points to be borne in mind concerning our 1979 sales figures include:

- Data presented in this report are national in scope and do not show regional variations which can be substantial.
- Individual firms can and do significantly deviate from the average percent changes.
- Percent changes shown in this report cover only two years and are not necessarily indicative of long term trends.

Based on 1979 data we have revised the level of sales for the years 1970 through 1980, and these revisions appear in our new *Foodservice Sales Panorama* described in the box on page one. Readers who are interested in projected 1981 foodservice industry sales should refer to the December, 1980 *Foodservice Trends*. Although 1981 sales levels for nearly all segments are off because of these revisions, the percent changes between 1980 and 1981 are still valid. The National Restaurant Association will review its 1981 forecast later this year and any significant changes will be published in *Foodservice Trends*.

Methodology and Sources

The figures in this study were obtained through published sources from trade associations, by inference through interrelating various government data (both published and unpublished), by discussions with foodservice executives in many segments of the industry and by personal judgment. As a method of attack, whenever possible, several approaches and sources were used for the industry segment under examination to triangulate a set of answers in close agreement with each other. This has proved particularly useful where data are "soft." Source materials used in making our estimates are listed on the next page and are noted on the table on pages 8 and 9.

For the Commercial Feeding Group sales figures were determined first and then food and drink purchases were calculated from the sales figures on the basis of food and beverage costs as a percent of sales. In the Institutional Feeding Group, purchases were calculated from a cost per meal times the number of meals consumed in the particular segment. Sales are a multiple of food and beverage costs. Where a direct charge for food is not made, such as in a proprietary hospital, sales were calculated as a percent of operations.

There are some exceptions, however. For airlines, estimated sales were taken to mean estimated purchases from a contractor or the imputed cost of foodservice operations by the airline. The sales figures do not include the cost of serving meals or beverages. In some cases, we do not consider sales as having taken place at all; for example, feeding of patients in federal hospitals which do not charge for service to veterans.

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SOURCES:

1. U.S. Bureau of the Census, *Census of Business: 1972 Census of Retail Trade, Merchandise Line Sales, Sales Size; Miscellaneous Subjects, 1972 Selected Services, Hotels, Motels, Trailering Parks and Camps, 1977 Census of Retail Trade, Sales Size, Merchandise Line Sales, Miscellaneous Subjects, 1977 Census of Selected Services, Current Retail Trade Reports, Monthly Selected Services Receipts, Series BS.*
2. Industry sources.
3. Based on data from U.S. Department of Agriculture, Food and Nutrition Service and HEW, Office of Education: "Fall 1979 Statistics of Public Schools;" HEW *Digest of Educational Statistics, 1978, 1979;* National Catholic Education Association's 1977 and 1978 *Catholic Schools in America; Current Population Reports,* Series P-20, Nos. 222, 303, 319, 321.
4. Estimated: Based on *College and University Business,* December 1970; HEW *Digest of Educational Statistics, 1978, 1979;* HEW *advanced 1980 data;* Bureau of the Census *Current Population Report, Series P-20,* No. 245 "Living Arrangements of College Students," October 1971; HEW National Center for Educational Statistics unpublished data.
5. Estimated: Based on U.S. Department of Commerce, Bureau of Economic Anlysis, "Personal Consumption Expenditures (revised in 1981);" *Clubs in Town and Country 1979,* Pannell, Kerr, Forester.
6. Estimated: Based on data supplied by U.S. Maritime Commission, Immigration and Naturalization Service; *Statistical Abstract of the United States 1980,* Tables 1184 and 1188.
7. Estimated: Based on data supplied by American Waterways Operators, Inc.; individual companies; *Statistical Abstract of the United States, 1980* "Waterborne Commerce of the U.S.," Table No. 1171.
8. Estimated: Based on data supplied by the U.S. Maritime Commission, Immigration and Naturalization Service and individual passenger lines; *Statistical Abstract of the United States, 1980,* Tables 1184 and 1192.
9. *Estimated: Based on data supplied by Air Transport Association, Air Transport World;* individual companies; CAB Form 41 and Merrill, Lynch, Pierce, Fenner & Smith air transport analyst; *Statistical Abstract of the United States, 1980,* Table No. 1161.
10. Estimated: Based on data supplied by the Association of American Railroads and Amtrak Corporation.
11. Estimated: Based on data from the American Camping Association and individual companies.
12. Estimated: Based on information from YMCA Statistical Division, U.S. Department of Agriculture, Food and Nutrition Service and industry sources.
13. Estimated: Based on data from the American Hospital Association, *Hospital Statistics 1980;* "HA's Six Month National Comparison period ending June 30, 1978: June 30, 1979, December 1978 and December 1979," American Hospital Association; Veterans Administration and individual companies.
14. Estimated: Based on data from the National Center for Health Statistics; *1970 Census of Population;* American Hospital Association; *NIH Master Facilities Inventory 1976,* unpublished data.
15. Estimated: Based on information from the Bureau of Prisons, Department of Justice, "Prisoners in State & Federal Institutions," December 31 annual; *Corrections Magazine.*
16. Estimated: Based on Department of Justice, Law Enforcement Assistance Administration, "*Census of Jails and Survey of Jail Inmates, 1978* and unpublished data.
17. Estimated: Based on information from the Office Catholic Directory; P. J. Kenedy & Sons; interviews with suppliers.
18. Defense Personnel Support Center, Philadelphia unpublished data; Bureau of Economic Analysis, "Personal Consumption Expenditures" (revised in 1981).
19. Estimated: Based on *Vending Times,* "Survey of the Industry," June 1979 and June 1980.
20. Industry sources.
21. *Franchising in the Economy,* 1979-81, Bureau of Domestic Commerce, U.S. Department of Commerce.
22. *Producer Price Index; Consumer Price Index;* Bureau of Labor Statistics, U.S. Department of Labor.
23. Company annual reports.
24. Estimated: Based on *Statistical Abstract of the United States, 1980,* Table Nos. 404, 406, 413 and 417; Bureau of Economic Analysis "Personal Consumption Expenditures" (revised in 1981).
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26. American Hotel & Motel Association *Construction & Modernization Report.*
27. Estimated: Based on *Employment and Earnings,* Bureau of Labor Statistics; "Nonagricultural Establishment Employees," "Employed Persons by Major Occupation Group and Sex, 1960-1979."
28. Army Times Publishing Company.
29. *AudArena Stadium,* 1980.
30. *Department and Specialty Store Merchandising and Operating Results of 1979,* National Retail Merchants Association.

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